

**CITY OF MEDICINE LODGE, KANSAS**

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**FINANCIAL STATEMENT  
with  
INDEPENDENT AUDITOR'S REPORT  
YEAR ENDED DECEMBER 31, 2012**

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor  
and City Council  
Medicine Lodge, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Medicine Lodge, Kansas, as of and for the year ended December 31, 2012, and the related notes to the financial statement.

### Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note A to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note A, the financial statement is prepared by the City of Medicine Lodge, Kansas to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note A and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

## **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Medicine Lodge, Kansas as of December 31, 2012, or changes in financial position and cash flows thereof for the year then ended.

## **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balances of the City of Medicine Lodge, Kansas as of December 31, 2012, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note A.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures, schedule of regulatory basis receipts and expenditures-agency funds (Schedules 1, 2 and 3 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note A.

The 2011 Actual columns presented in the individual fund schedules of cash receipts and expenditures, (Schedule 2 as listed in the table of contents) upon which we rendered an unqualified opinion dated September 27, 2012, are also presented for comparative analysis and are not a required part of the 2012 financial statement. The 2011 financial statements and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, Office of Management and Analysis and Standards at the following link <http://da.ks.gov/ar/muniserv/>. Such 2011 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 financial statements. The 2011 comparative information was subjected to the auditing procedures applied in the audit of the 2011 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2011 financial statements or to the 2011 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2011 comparative information is fairly stated in all material respects in relation to the 2011 financial statements as a whole.

*Kennedy McKee & Company LLP*

August 6, 2013

## CITY OF MEDICINE LODGE, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES  
AND UNENCUMBERED CASH  
REGULATORY BASIS

For the Year ended December 31, 2012

<u>Fund</u>	<u>Beginning unencumbered cash balance</u>	<u>Prior year canceled encumbrances</u>
General fund:		
General	<u>\$ 314,914</u>	<u>\$ -</u>
Special purpose funds:		
Tourism	45,628	-
Library	2,194	-
Special highway	112,550	-
Special parks and recreation	14,094	-
Municipal equipment reserve	277,723	-
Capital improvements reserve	563,585	-
Public building commission	210	-
Total special purpose funds	<u>1,015,984</u>	<u>-</u>
Bond and interest fund:		
Bond and interest	<u>101,477</u>	<u>-</u>
Capital project funds:		
Sidewalk improvement	9,049	-
Water meter project	-	-
Total capital project funds	<u>9,049</u>	<u>-</u>
Business funds:		
Water utility	306,545	-
Sewer utility	112,038	-
Solid waste utility	164,003	-
Meter deposit	37,483	-
Waterworks depreciation and maintenance reserve	117,491	-
Sewer plan O-M-R	113,145	-
Total business funds	<u>850,705</u>	<u>-</u>
Total - excluding agency fund	<u>\$ 2,292,129</u>	<u>\$ -</u>
Composition of cash balance:		
Checking accounts		
Savings accounts		
Certificates of deposit		
Total cash		
Agency fund		
Total cash - excluding agency fund		

The notes to the financial statement are an integral part of this statement.

<u>Receipts</u>	<u>Expenditures</u>	<u>Ending unencumbered cash balance</u>	<u>Add outstanding encumbrances and accounts payable</u>	<u>Ending cash balance</u>
<u>\$ 1,759,976</u>	<u>\$ 1,378,381</u>	<u>\$ 696,509</u>	<u>\$ 94,122</u>	<u>\$ 790,631</u>
43,444	8,212	80,860	1,116	81,976
106,360	106,360	2,194	4,202	6,396
52,191	6,682	158,059	-	158,059
3,034	3,097	14,031	-	14,031
105,000	90,455	292,268	28,466	320,734
113,969	92,611	584,943	16,989	601,932
107,933	107,969	174	-	174
<u>531,931</u>	<u>415,386</u>	<u>1,132,529</u>	<u>50,773</u>	<u>1,183,302</u>
<u>54</u>	<u>84,938</u>	<u>16,593</u>	<u>-</u>	<u>16,593</u>
652	-	9,701	-	9,701
481,067	481,067	-	91	91
<u>481,719</u>	<u>481,067</u>	<u>9,701</u>	<u>91</u>	<u>9,792</u>
740,444	706,413	340,576	35,923	376,499
312,274	398,399	25,913	29,481	55,394
355,371	351,821	167,553	12,304	179,857
5,632	-	43,115	-	43,115
95,000	-	212,491	-	212,491
-	49,395	63,750	2,170	65,920
<u>1,508,721</u>	<u>1,506,028</u>	<u>853,398</u>	<u>79,878</u>	<u>933,276</u>
<u>\$ 4,282,401</u>	<u>\$ 3,865,800</u>	<u>\$ 2,708,730</u>	<u>\$ 224,864</u>	<u>\$ 2,933,594</u>
				\$ 916,747
				768,667
				<u>1,248,180</u>
				2,933,594
				-
				<u>\$ 2,933,594</u>

# CITY OF MEDICINE LODGE, KANSAS

## NOTES TO FINANCIAL STATEMENT

December 31, 2012

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies applied in the preparation of the accompanying financial statement is presented to assist in understanding the City's financial statement. The financial statement, schedules, and notes are representations of the City's management, which is responsible for their integrity and objectivity.

#### 1. Municipal Financial Reporting Entity

The City of Medicine Lodge is a municipal corporation governed by an elected mayor and five-member council. This financial statement presents the City of Medicine Lodge (the municipality) and the Public Building Commission (part of the municipality). The Lincoln Library, a related municipal entity, has not been included in the City's reporting entity.

**Public Building Commission.** The Commission was authorized by City Ordinance No. 818, pursuant to K.S.A 12-1757 et. seq., and all amendments thereto, and as amended, supplemented and limited by the City of Medicine Lodge, Kansas Charter Ordinance No. 17 establishing the composition thereof and purposes for which established. For financial reporting, the financial activities of the Public Building Commission are accounted for within a non-budgeted special purpose fund.

#### 2. Basis of Presentation – Fund Accounting

The accounts of the City are organized and operated on the basis of funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following types of funds comprise the financial activities of the City for the year ended December 31, 2012:

#### REGULATORY BASIS FUND TYPES

General fund – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose fund – used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Bond and Interest fund – used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.



## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2. Basis of Presentation – Fund Accounting (Continued)

#### REGULATORY BASIS FUND TYPES (CONTINUED)

Capital Project fund – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Business fund – funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal services fund, etc.).

Agency fund – funds used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, etc.).

### 3. Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The *Kansas Municipal Audit and Accounting Guide* (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the regulatory basis of accounting.

### 4. Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4. Budgetary information (continued)

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The budgets of the following funds were amended to increase the original budgets:

<u>Fund</u>	<u>Original budget</u>	<u>Amended budget</u>
Library	\$ 101,237	\$ 109,300
Sewer Utility	383,957	399,032
Special Highway	75,000	150,000

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for the utility reserve funds, agency fund, capital project funds or the Municipal Equipment Reserve, Capital Improvements Reserve, and Public Building Commission special purpose funds.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

## B. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

## B. DEPOSITS AND INVESTMENTS (CONTINUED)

*Custodial credit risk - deposits.* Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2012.

At December 31, 2012, the City's carrying amount of deposits was \$2,933,594 and the bank balance was \$2,977,551. Of the bank balance, \$250,174 was covered by federal depository insurance and \$2,727,377 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

## C. LONG-TERM DEBT

Changes in long-term liabilities for the City for the year ended December 31, 2012, were as follows:

<u>Issue</u>	<u>Balance beginning of year</u>	<u>Additions</u>	<u>Reductions/ payments</u>	<u>Balance end of year</u>	<u>Interest paid</u>
General obligation bonds:					
Highway improvements					
Issued June 1, 2002					
In the amount of \$500,000					
At interest rates of 4.00% to 5.50%					
Maturing September 1, 2017	\$ 260,000	\$ -	\$ 40,000	\$ 220,000	\$ 12,053
Revenue bonds:					
Swimming pool improvements					
Issued March 15, 2006					
In the amount of \$1,450,000					
At interest rates of 3.50% to 4.50%					
Maturing September 1, 2026	1,235,000	-	55,000	1,180,000	52,932
Revolving loans:					
Water Improvements					
Issued January 31, 2002					
In the amount of \$587,533					
At interest rate of 4.04%					
Maturing August 1, 2023	384,910	-	26,895	358,015	15,281
Sewer plant					
Issued March 1, 2003					
In the amount of \$2,946,766					
At interest rate of 2.94%					
Maturing September 1, 2024	2,064,665	-	132,516	1,932,149	59,734
Water line upgrades					
Issued February 18, 2010					
In the amount of \$326,090					
At interest rate of 3.49%					
Maturing February 1, 2030	308,638	-	12,118	296,520	10,667
Water meter upgrades					
Issued December 6, 2012					
In the amount of \$480,595					
At interest rate of 2.43%					
Maturing August 1, 2022	-	480,595	192,238 <sup>^</sup>	288,357	-
Subtotal revolving loans	2,758,213	480,595	363,767	2,875,041	85,682
Capital leases:					
Fire truck					
Issued April 16, 2007					
In the amount of \$344,832					
At interest rate of 5.00%					
Maturing March 31, 2022	266,067	-	19,791	246,276	13,095
Total long-term debt	\$ 4,519,280	\$ 480,595	\$ 478,558	\$ 4,521,317	\$ 163,762

<sup>^</sup> - this amount represents the amount repaid to KDHE from an EPA grant.

### C. LONG-TERM DEBT (CONTINUED)

Current maturities of general obligation bonds and interest through maturity are as follows:

	Principal due	Interest due	Total due
2013	\$ 40,000	\$ 10,292	\$ 50,292
2014	40,000	8,492	48,492
2015	45,000	6,653	51,653
2016	45,000	4,538	49,538
2017	<u>50,000</u>	<u>2,400</u>	<u>52,400</u>
Total	<u>\$ 220,000</u>	<u>\$ 32,375</u>	<u>\$ 252,375</u>

Current maturities of revenue bonds and interest for the next five years and in five year increments through maturity are as follows:

	Principal due	Interest due	Total due
2013	\$ 60,000	\$ 50,842	\$ 110,842
2014	65,000	48,502	113,502
2015	65,000	45,903	110,903
2016	70,000	43,270	113,270
2017	70,000	40,400	110,400
2018-2022	425,000	153,125	578,125
2023-2026	<u>425,000</u>	<u>48,600</u>	<u>473,600</u>
Total	<u>\$ 1,180,000</u>	<u>\$ 430,642</u>	<u>\$ 1,610,642</u>

Current maturities of revolving loans and interest for the next five years and in five year increments through maturity are as follows:

	Principal due	Interest due	Total due
2013	\$ 201,603	\$ 88,410	\$ 290,013
2014	209,156	80,857	290,013
2015	215,611	74,401	290,012
2016	222,271	67,742	290,013
2017	229,141	60,872	290,013
2018-2022	1,256,599	193,465	1,450,064
2023-2027	486,563	32,949	519,512
2028-2030	<u>54,097</u>	<u>2,865</u>	<u>56,962</u>
Total	<u>\$ 2,875,041</u>	<u>\$ 601,561</u>	<u>\$ 3,476,602</u>

Current maturities of capital leases and interest for the next five years through maturity are as follows:

	Principal due	Interest due	Total due
2013	\$ 20,830	\$ 12,056	\$ 32,886
2014	21,885	11,001	32,886
2015	22,993	9,893	32,886
2016	24,131	8,755	32,886
2017	25,378	7,508	32,886
2018-2022	<u>131,059</u>	<u>16,926</u>	<u>147,985</u>
Total	<u>\$ 246,276</u>	<u>\$ 66,139</u>	<u>\$ 312,415</u>

#### D. INTERFUND TRANSFERS

Operating transfers:

<u>From</u>	<u>To</u>	<u>Regulatory authority</u>	<u>Amount</u>
Water utility	Waterworks depreciation and maintenance	K.S.A. 12-825d	\$ 95,000
Water utility	General	K.S.A. 12-825d	92,000
Water utility	Municipal equipment	K.S.A. 12-1,117	50,000
Sewer utility	General	K.S.A. 12-825d	16,000
Solid waste utility	Municipal equipment	K.S.A. 12-1,117	55,000
Solid waste utility General	General Public Building Commission	K.S.A. 12-825d Resolution	17,651 <u>107,933</u>
			<u>\$ 433,584</u>

Transfer to related municipal entity:

<u>From</u>	<u>To</u>	<u>Amount</u>
Library	Lincoln Library	<u>\$ 103,058</u>

#### E. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

*Other post employment benefits.* As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in the financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program.

*Section 457 deferred compensation plan.* The City offers a Section 457 deferred compensation plan to all employees on a voluntary basis. The City does not contribute to the plan and the plan is administered by Security Benefits.

*Section 125 plan.* The City offers a Section 125 plan through Aflac and Aetna for all eligible employees. It is used for accident and cancer insurance. The City withholds the amounts from the employee's paychecks and remits the withholding to the plan administrator.

*Compensated absences.* The City's policy allows vacation time to accumulate to 160 hours. However, the number of hours of unused vacation that can be carried over without written authorization from the City Council varies depending on how many continuous years of employment the employee has. The maximum number of hours eligible to be carried over is as follows: 40 hours, 0-5 years; 80 hours, 6-10 years; 120 hours, 11-15 years; 140 hours, 16-20 years; and, 160 hours, over 20 years. Sick leave may be accumulated up to 720 hours, but unused sick leave is not paid upon termination or resignation.

## F. DEFINED BENEFIT PENSION PLAN

*Plan description.* The City of Medicine Lodge participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to KPERS (611 S. Kansas, Suite 100; Topeka, KS 66603), at the following website: <http://www.kpers.org/annualreport2012.pdf> or by calling 1-888-275-5737.

*Funding Policy.* K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. Member employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. The City's employer contributions to KPERS for the years ending December 31, 2012, 2011, and 2010 were \$56,769, \$55,305, and \$53,795, respectively, equal to the required contributions for each year.

## G. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has been unable to obtain workers' compensation insurance at a cost it considered to be economically justifiable. For this reason, the City joined together with other cities in the State to participate in the Kansas Municipal Insurance Trust (KMIT), a public entity risk pool currently operating as a common risk management and insurance program for 140 participating members.

The City pays an annual premium to KMIT for workers' compensation insurance coverage. The agreement to participate provides that the KMIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by KMIT management.

The City continues to carry commercial insurance for all other risks of loss, including property, liability, and fidelity bonds. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years and there have been no significant reductions in coverage.

## H. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 6, 2013, the date on which the financial statement was available to be used. Management's evaluation concluded that there are two subsequent events that are required to be recognized or disclosed in the financial statement:

- On March 4, 2013, the Council adopted Ordinance 867 authorizing the issuance of \$1,130,000 in general obligation bonds to consolidate the 2002 and 2010 KDHE loans, the fire truck lease, and the Series 2002 general obligation bonds.
- On March 25, 2013 the Council accepted a bid of \$138,815 to improve the intersection at Main Street and Stolpe Avenue.

**REGULATORY-REQUIRED  
SUPPLEMENTARY INFORMATION**



## CITY OF MEDICINE LODGE, KANSAS

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET  
REGULATORY BASIS

For the Year ended December 31, 2012

<u>Fund</u>	<u>Certified budget</u>	<u>Adjustment for qualifying budget credits</u>	<u>Total budget for comparison</u>	<u>Expenditures chargeable to current year</u>	<u>Variance favorable (unfavorable)</u>
General	\$ 1,567,716	\$ -	\$ 1,567,716	\$ 1,378,381	\$ 189,335
Special revenue:					
Tourism	35,000	-	35,000	8,212	26,788
Library	109,300	-	109,300	106,360	2,940
Special highway	150,000	-	150,000	6,682	143,318
Special parks and recreation	10,000	-	10,000	3,097	6,903
Debt service:					
Bond and interest	101,482	-	101,482	84,938	16,544
Enterprise:					
Water utility	739,152	-	739,152	706,413	32,739
Sewer utility	399,032	-	399,032	398,399	633
Solid waste utility	381,375	-	381,375	351,821	29,554
Total	<u>\$ 3,493,057</u>	<u>\$ -</u>	<u>\$ 3,493,057</u>	<u>\$ 3,044,303</u>	<u>\$ 448,754</u>

See Independent Auditor's Report.

# CITY OF MEDICINE LODGE, KANSAS

## GENERAL FUND

### SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET REGULATORY BASIS

For the Year ended December 31, 2012  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

		2012		Variance
	2011	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 576,046	\$ 557,702	\$ 554,270	\$ 3,432
Delinquent tax	4,385	9,705	5,000	4,705
Motor vehicle tax	98,247	110,152	92,411	17,741
Recreational vehicle tax	1,377	1,188	1,338	(150)
16/20M tax	4,058	4,049	4,215	(166)
Special assessment	-	1,425	-	1,425
Local alcoholic liquor tax	2,719	3,034	3,000	34
Sales and use tax	652,099	716,660	538,000	178,660
License, permits and fees	4,203	7,475	1,960	5,515
Franchise fees	144,926	144,602	129,000	15,602
Fines, forfeitures and penalties	16,803	14,523	12,000	2,523
Charges for services	15,928	17,870	28,159	(10,289)
Interest	28,181	19,504	30,000	(10,496)
Use of property	300	150	-	150
Miscellaneous	59,985	26,286	15,000	11,286
Transfers in	60,925	125,651	144,194	(18,543)
Total cash receipts	<u>1,670,182</u>	<u>1,759,976</u>	<u>\$ 1,558,547</u>	<u>\$ 201,429</u>
Expenditures:				
Administration:				
Personnel	136,734	124,264	\$ 151,259	\$ 26,995
Contractual services	45,099	49,623	24,500	(25,123)
Commodities	5,449	8,488	33,101	24,613
Capital outlay	29,464	371	4,000	3,629
Economic development	6,810	8,145	8,750	605
Miscellaneous	1,194	1,917	8,250	6,333
Total expenditures	<u>224,750</u>	<u>192,808</u>	<u>229,860</u>	<u>37,052</u>

# CITY OF MEDICINE LODGE, KANSAS

## GENERAL FUND

### SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET REGULATORY BASIS

For the Year ended December 31, 2012  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

		2012		Variance
	2011	Actual	Budget	favorable (unfavorable)
Police department:				
Personnel	\$ 298,685	\$ 330,982	\$ 343,327	\$ 12,345
Contractual services	20,610	22,545	7,500	(15,045)
Commodities	17,643	22,317	34,950	12,633
Capital outlay	1,328	2,358	9,000	6,642
Miscellaneous	242	-	-	-
	<u>338,508</u>	<u>378,202</u>	<u>394,777</u>	<u>16,575</u>
Fire department:				
Personnel	-	81	-	(81)
Contractual services	11,659	11,415	8,930	(2,485)
Commodities	1,149	1,086	4,100	3,014
Capital outlay	1,654	2,091	5,650	3,559
	<u>14,462</u>	<u>14,673</u>	<u>18,680</u>	<u>4,007</u>
Street department:				
Personnel	163,614	117,154	154,616	37,462
Contractual services	12,689	38,494	2,500	(35,994)
Commodities	23,530	18,499	64,590	46,091
Capital outlay	2,828	4,388	25,700	21,312
	<u>202,661</u>	<u>178,535</u>	<u>247,406</u>	<u>68,871</u>
Swimming pool:				
Personnel	41,764	43,757	68,262	24,505
Contractual services	14,266	12,194	3,876	(8,318)
Commodities	9,941	1,559	18,120	16,561
Capital outlay	1,614	5,272	114,558	109,286
Miscellaneous	731	-	-	-
	<u>68,316</u>	<u>62,782</u>	<u>204,816</u>	<u>142,034</u>

# CITY OF MEDICINE LODGE, KANSAS

## GENERAL FUND

### SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET REGULATORY BASIS

For the Year ended December 31, 2012  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

		2012		Variance favorable (unfavorable)
	2011	Actual	Budget	
Airport:				
Contractual services	\$ 9,478	\$ 7,883	\$ 5,750	\$ (2,133)
Commodities	161	-	2,100	2,100
Capital outlay	2,105	565	-	(565)
	11,744	8,448	7,850	(598)
Municipal court:				
Personnel	10,126	5,977	10,135	4,158
Contractual services	3,616	7,897	2,000	(5,897)
Commodities	13	162	51	(111)
Miscellaneous	-	129	-	(129)
	13,755	14,165	12,186	(1,979)
Code enforcement/animal control:				
Personnel	30,759	4,787	41,461	36,674
Contractual services	10,066	20,318	15,100	(5,218)
Commodities	788	820	-	(820)
Miscellaneous	244	-	-	-
General government	-	7,480	7,650	170
	41,857	33,405	64,211	30,806
Park department:				
Personnel	50,407	65,065	70,803	5,738
Contractual services	11,017	13,825	5,636	(8,189)
Commodities	7,820	14,506	17,312	2,806
Capital outlay	7,758	3,501	11,040	7,539
	77,002	96,897	104,791	7,894
Carrie Nation Memorial:				
Appropriation	7,500	7,500	7,665	165
Contractual services	3,404	2,868	918	(1,950)
Commodities	614	16	2,397	2,381
	11,518	10,384	10,980	596

# CITY OF MEDICINE LODGE, KANSAS

## GENERAL FUND

### SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET REGULATORY BASIS

For the Year ended December 31, 2012  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

		2012		Variance favorable (unfavorable)
	2011	Actual	Budget	
Street lights	\$ 37,692	\$ 33,749	\$ 35,000	\$ 1,251
Emergency preparedness	387	-	6,000	6,000
Recycling program	2,583	-	-	-
Economic development	-	-	21,000	21,000
Transfers:				
Public Building Commission	109,968	107,933	-	(107,933)
Hospital appropriation	217,315	225,306	191,400	(33,906)
Neighborhood revitalization rebate	17,973	21,094	18,759	(2,335)
Total expenditures	1,390,491	1,378,381	\$ 1,567,716	\$ 189,335
Receipts over (under) expenditures	279,691	381,595		
Unencumbered cash, beginning of year	18,109	314,914	\$ 14,169	\$ 300,745
Residual equity transfers	17,114	-		
Unencumbered cash, end of year	\$ 314,914	\$ 696,509	\$ 5,000	\$ 691,509

See Independent Auditor's Report.

## CITY OF MEDICINE LODGE, KANSAS

## TOURISM FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
REGULATORY BASIS

For the Year ended December 31, 2012  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

		2012		Variance
	2011	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Taxes and shared revenue:				
Guest tax	\$ 16,254	\$ 43,444	\$ 10,000	\$ 33,444
Expenditures:				
Contractual services	5,528	2,560	\$ 15,000	\$ 12,440
Commodities	75	-	15,000	15,000
Reimbursed expenditures	-	86	-	(86)
Donations	13,650	5,566	5,000	(566)
Total expenditures	19,253	8,212	\$ 35,000	\$ 26,788
Receipts over (under) expenditures	(2,999)	35,232		
Unencumbered cash, beginning of year	48,627	45,628	\$ 39,777	\$ 5,851
Unencumbered cash, end of year	\$ 45,628	\$ 80,860	\$ 14,777	\$ 66,083

See Independent Auditor's Report.

## CITY OF MEDICINE LODGE, KANSAS

## LIBRARY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
REGULATORY BASIS

For the Year ended December 31, 2012  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

		2012		Variance
	2011	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 88,149	\$ 87,293	\$ 89,451	\$ (2,158)
Delinquent tax	641	1,481	1,000	481
Motor vehicle tax	14,009	16,827	15,000	1,827
Recreational vehicle tax	196	182	205	(23)
16/20M vehicle tax	585	577	645	(68)
Total cash receipts	103,580	106,360	\$ 106,301	\$ 59
Expenditures:				
Contractual services	855	-	\$ 800	\$ 800
Transfer to related municipal entity	100,830	103,058	104,000	942
Neighborhood revitalization rebate	2,758	3,302	4,500	1,198
Total expenditures	104,443	106,360	\$ 109,300	\$ 2,940
Receipts over (under) expenditures	(863)	-		
Unencumbered cash, beginning of year	3,057	2,194	\$ 3,523	\$ (1,329)
Unencumbered cash, end of year	\$ 2,194	\$ 2,194	\$ 524	\$ 1,670

See Independent Auditor's Report.

## CITY OF MEDICINE LODGE, KANSAS

## SPECIAL HIGHWAY FUND

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
REGULATORY BASIS

For the Year ended December 31, 2012  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

		2012		Variance
	2011	Actual	Budget	favorable (unfavorable)
Cash receipts:				
State of Kansas gas tax	\$ 50,786	\$ 52,191	\$ 52,660	\$ (469)
Expenditures:				
Commodities	23,603	6,727	\$ 150,000	\$ 143,273
Capital outlay	-	(45)	-	45
Total expenditures	23,603	6,682	\$ 150,000	\$ 143,318
Receipts over (under) expenditures	27,183	45,509		
Unencumbered cash, beginning of year	85,367	112,550	\$ 112,549	\$ 1
Unencumbered cash, end of year	\$ 112,550	\$ 158,059	\$ 15,209	\$ 142,850

See Independent Auditor's Report.



## CITY OF MEDICINE LODGE, KANSAS

## SPECIAL PARKS AND RECREATION FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
REGULATORY BASIS

For the Year ended December 31, 2012  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

		2012		Variance
	2011	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Local alcoholic liquor tax	\$ 2,659	\$ 3,034	\$ 3,000	\$ 34
Expenditures:				
Capital outlay	3,500	3,097	\$ 10,000	\$ 6,903
Receipts over (under) expenditures	(841)	(63)		
Unencumbered cash, beginning of year	14,935	14,094	\$ 14,435	\$ (341)
Unencumbered cash, end of year	\$ 14,094	\$ 14,031	\$ 7,435	\$ 6,596

See Independent Auditor's Report.

## CITY OF MEDICINE LODGE, KANSAS

## NON-BUDGETED SPECIAL PURPOSE FUNDS

SCHEDULE OF RECEIPTS AND EXPENDITURES  
REGULATORY BASIS

For the Year ended December 31, 2012

	Municipal equipment reserve	Capital improvements reserve	Public building commission	Total
Cash receipts:				
Grants	\$ -	\$ 41,969	\$ -	\$ 41,969
Transfer from:				
General	-	-	107,933	107,933
Water utility	50,000	-	-	50,000
Solid waste utility	55,000	-	-	55,000
Oil lease	-	72,000	-	72,000
Total cash receipts	105,000	113,969	107,933	326,902
Expenditures:				
Contractual services	-	87,219	36	87,255
Capital outlay	90,455	5,392	-	95,847
Debt service:				
Principal	-	-	55,000	55,000
Interest	-	-	52,933	52,933
Total expenditures	90,455	92,611	107,969	291,035
Receipts over (under) expenditures	14,545	21,358	(36)	35,867
Unencumbered cash, beginning of year	277,723	563,585	210	841,518
Unencumbered cash, end of year	\$ 292,268	\$ 584,943	\$ 174	\$ 877,385

See Independent Auditor's Report.

## CITY OF MEDICINE LODGE, KANSAS

## BOND AND INTEREST FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
REGULATORY BASIS

For the Year ended December 31, 2012  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

		2012		Variance
	2011	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Taxes and shared revenue:				
Delinquent tax	\$ -	\$ 54	\$ -	\$ 54
Expenditures:				
Debt service:				
Principal	53,877	59,791	\$ 59,791	\$ -
Interest	27,553	25,147	25,148	1
Transfer to general	-	-	16,543	16,543
Total expenditures	81,430	84,938	\$ 101,482	\$ 16,544
Receipts over (under) expenditures	(81,430)	(84,884)		
Unencumbered cash, beginning of year	182,907	101,477	\$ 101,482	\$ (5)
Unencumbered cash, end of year	\$ 101,477	\$ 16,593		

See Independent Auditor's Report.

## CITY OF MEDICINE LODGE, KANSAS

## NON-BUDGETED CAPITAL PROJECT FUNDS

SCHEDULE OF RECEIPTS AND EXPENDITURES  
REGULATORY BASIS

For the Year ended December 31, 2012

	Sidewalk improvement	Water meter project	Total
Cash receipts:			
Grant proceeds	\$ -	\$ 192,238	\$ 192,238
Loan proceeds	-	288,357	288,357
Other	652	472	1,124
Total cash receipts	652	481,067	481,719
Expenditures:			
Capital outlay	-	477,087	477,087
Miscellaneous	-	472	472
Debt service:			
Interest	-	2,307	2,307
Fees	-	1,201	1,201
Total expenditures	-	481,067	481,067
Receipts over (under) expenditures	652	-	652
Unencumbered cash, beginning of year	9,049	-	9,049
Unencumbered cash, end of year	\$ 9,701	\$ -	\$ 9,701

See Independent Auditor's Report.

## CITY OF MEDICINE LODGE, KANSAS

## WATER UTILITY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
REGULATORY BASIS

For the Year ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

		2012		Variance
	2011	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Water sales	\$ 728,288	\$ 684,902	\$ 600,000	\$ 84,902
New services	-	500	1,200	(700)
Reconnects	3,800	4,450	1,500	2,950
Bulk sales	1,805	2,005	900	1,105
Swimming pool fee	-	39,799	65,000	(25,201)
Miscellaneous	2,592	3,204	3,500	(296)
Reimbursed expenditures	7,068	5,584	5,000	584
Total cash receipts	743,553	740,444	\$ 677,100	\$ 63,344
Expenditures:				
Personnel	159,626	187,739	\$ 155,392	\$ (32,347)
Contractual services	198,467	174,083	43,500	(130,583)
Commodities	32,155	33,968	74,825	40,857
Capital outlay	25,105	8,007	172,935	164,928
Miscellaneous	171	655	500	(155)
Debt service:				
Principal	37,546	39,013	-	(39,013)
Interest	27,415	25,948	-	(25,948)
Transfers:				
General	60,925	92,000	92,000	-
Municipal equipment reserve	-	50,000	50,000	-
Waterworks depreciation and maintenance reserve	25,000	95,000	150,000	55,000
Total expenditures	566,410	706,413	\$ 739,152	\$ 32,739
Receipts over (under) expenditures	177,143	34,031		
Unencumbered cash, beginning of year	129,402	306,545	\$ 220,503	\$ 86,042
Unencumbered cash, end of year	\$ 306,545	\$ 340,576	\$ 158,451	\$ 182,125

See Independent Auditor's Report.

## CITY OF MEDICINE LODGE, KANSAS

## SEWER UTILITY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
REGULATORY BASIS

For the Year ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

		2012		Variance
	2011	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Charges for services	\$ 320,688	\$ 307,348	\$ 310,000	\$ (2,652)
New service	-	-	4,000	(4,000)
Other charges	100	700	500	200
Miscellaneous	4,179	3,301	150	3,151
Reimbursed expenditures	3,416	925	280	645
Transfer from sewer plant O-M-R	80,000	-	-	-
Total cash receipts	408,383	312,274	\$ 314,930	\$ (2,656)
Expenditures:				
Personnel	94,820	103,523	\$ 99,580	\$ (3,943)
Contractual services	121,041	71,354	35,000	(36,354)
Commodities	10,934	13,022	47,556	34,534
Capital outlay	18,063	2,250	198,896	196,646
Debt service:				
Principal	128,704	132,516	-	(132,516)
Interest	63,546	59,734	-	(59,734)
Transfers:				
General	-	16,000	18,000	2,000
Total expenditures	437,108	398,399	\$ 399,032	\$ 633
Receipts over (under) expenditures	(28,725)	(86,125)		
Unencumbered cash, beginning of year	140,763	112,038	\$ 119,346	\$ (7,308)
Unencumbered cash, end of year	\$ 112,038	\$ 25,913	\$ 35,244	\$ (9,331)

See Independent Auditor's Report.

## CITY OF MEDICINE LODGE, KANSAS

## SOLID WASTE UTILITY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
REGULATORY BASIS

For the Year ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

		2012		Variance
	2011	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Charges for services	\$ 276,123	\$ 341,318	\$ 353,028	\$ (11,710)
Trash bags	-	28	-	28
Dumpsters	2,466	6,191	6,409	(218)
Recycling	2,279	6,078	4,244	1,834
Miscellaneous	187	1,756	978	778
Total cash receipts	281,055	355,371	\$ 364,659	\$ (9,288)
Expenditures:				
Solid waste:				
Personnel	139,082	156,830	\$ 151,074	\$ (5,756)
Contractual services	90,132	92,201	86,700	(5,501)
Commodities	13,581	16,449	50,900	34,451
Capital outlay	4,172	6,410	5,050	(1,360)
Reimbursed expenditures	(925)	(2,400)	-	2,400
Recycling:				
Personnel	7,518	7,677	-	(7,677)
Contractual services	1,346	1,977	-	(1,977)
Commodities	224	26	-	(26)
Capital outlay	454	-	-	-
Transfers:				
General	-	17,651	17,651	-
Municipal equipment reserve	5,000	55,000	70,000	15,000
Total expenditures	260,584	351,821	\$ 381,375	\$ 29,554
Receipts over (under) expenditures	20,471	3,550		
Unencumbered cash, beginning of year	143,532	164,003	\$ 91,731	\$ 72,272
Unencumbered cash, end of year	\$ 164,003	\$ 167,553	\$ 75,015	\$ 92,538

See Independent Auditor's Report.

## CITY OF MEDICINE LODGE, KANSAS

## NON-BUDGETED BUSINESS FUNDS

SCHEDULE OF RECEIPTS AND EXPENDITURES  
REGULATORY BASIS

For the Year ended December 31, 2012

	Meter deposit	Waterworks depreciation and maintenance reserve	Sewer plant O-M-R	Total
Cash receipts:				
Charges for services	\$ 5,532	\$ -	\$ -	\$ 5,532
Interest	100	-	-	100
Transfer from:				
Water utility	-	95,000	-	95,000
Total cash receipts	5,632	95,000	-	100,632
Expenditures:				
Contractual services	-	-	43,865	43,865
Commodities	-	-	2,170	2,170
Capital outlay	-	-	3,360	3,360
Total expenditures	-	-	49,395	49,395
Receipts over (under) expenditures	5,632	95,000	(49,395)	51,237
Unencumbered cash, beginning of year	37,483	117,491	113,145	268,119
Unencumbered cash, end of year	\$ 43,115	\$ 212,491	\$ 63,750	\$ 319,356

See Independent Auditor's Report.



**CITY OF MEDICINE LODGE, KANSAS****AGENCY FUNDS****SUMMARY OF RECEIPTS AND DISBURSEMENTS  
REGULATORY BASIS**

For the Year ended December 31, 2012

<u>Fund</u>	<u>Beginning cash balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending cash balance</u>
Clearing fund	<u>\$ 3,022</u>	<u>\$ -</u>	<u>\$ 3,022</u>	<u>\$ -</u>

See Independent Auditor's Report.